

SEPTEMBER 29, 2020

State Spending and Administrative Costs

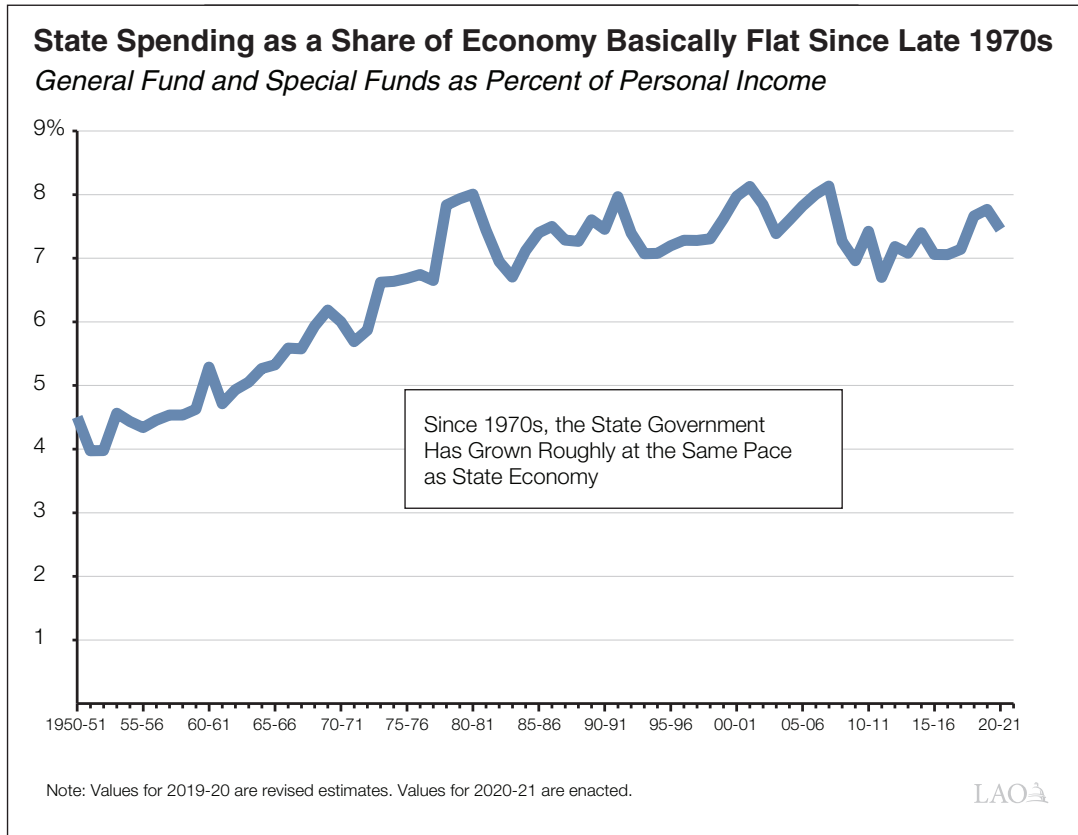
PRESENTED TO:

Committee on Accountability and
Administrative Review
Hon. Cottie Petrie-Norris, Chair
and
Assembly Committee on Budget
Hon. Phil Ting, Chair



LEGISLATIVE ANALYST'S OFFICE

Trends in the State Budget

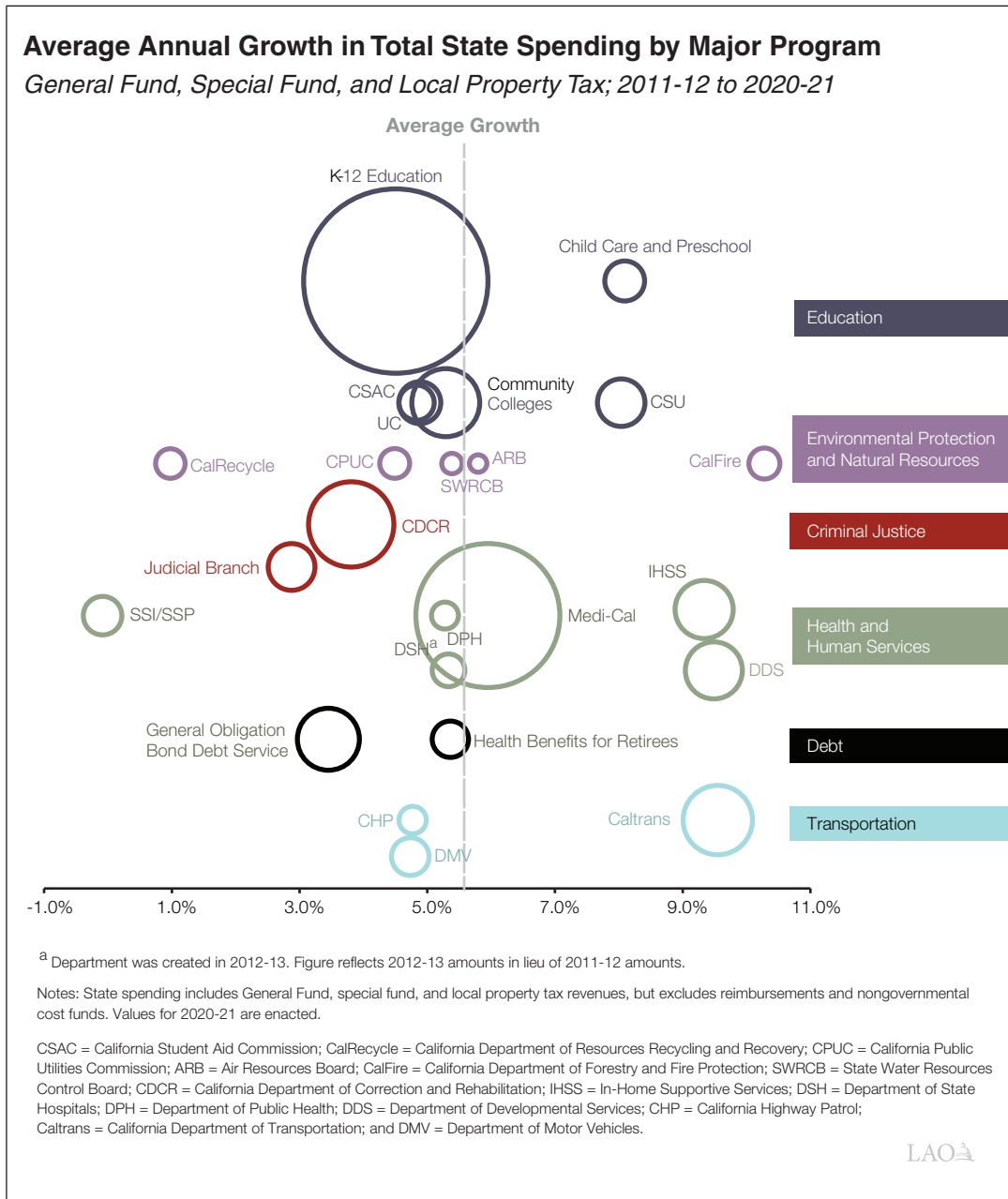


- Over the last decade, both the state's economy and state spending have grown around 5.5 percent per year.



Trends in the State Budget

(Continued)



Overview of State Expenditures

Three Main Types of Funds in the State Budget

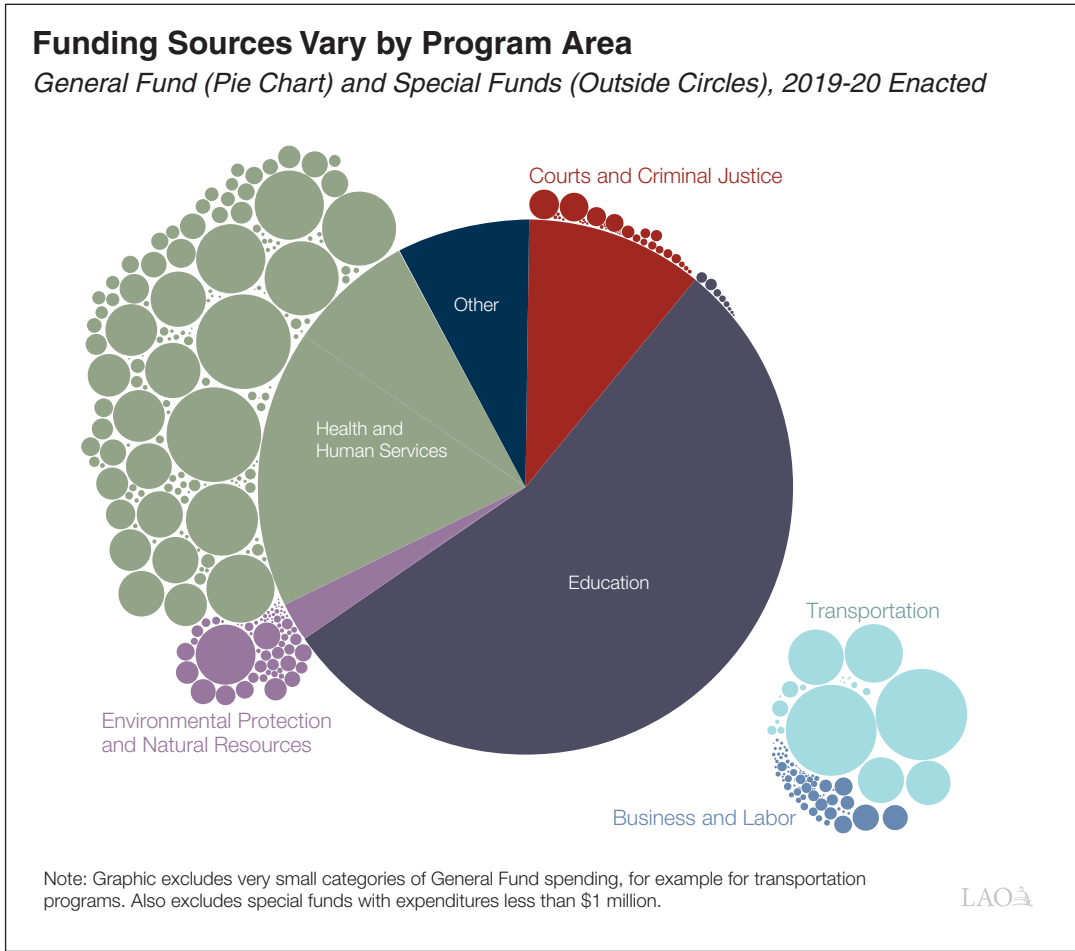
- **General Fund.** The General Fund is the state's main operating account. Revenues to the General Fund come from a variety of taxes and other sources. The Legislature can allocate these revenues to any public purpose. Some programs, like education programs, are nearly entirely General Fund funded.
- **Special Funds.** Special funds are state funds that receive revenues from specific sources (for example, licensing or regulatory fees). The Legislature can allocate monies from special funds to the purposes for which the fund was created. Some programs, like transportation programs, are nearly entirely special fund funded.
- **Federal Funds.** The state also receives money from the federal government to spend on programs. The federal government places restrictions on how the Legislature can use these funds.



Overview of State Expenditures

(Continued)

State Spending Organized in Hundreds of Funds



Overview of State Expenditures

(Continued)

Three Types of Main Costs

Every state expenditure is categorized into one of the three types:

- **State Operations.** Costs incurred by a state department or a state agency to operate a program or deliver services.
- **Local Assistance.** Amounts the state pays to other entities (for example, local governments, school districts, or health plans) for those entities to operate a program or deliver services.
- **Capital Outlay.** Purchases of land and costs to construct new facilities or renovate existing facilities.



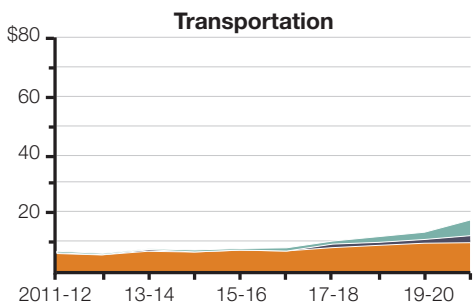
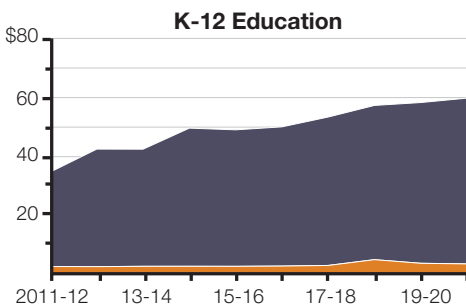
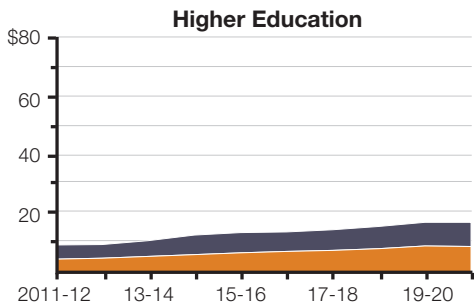
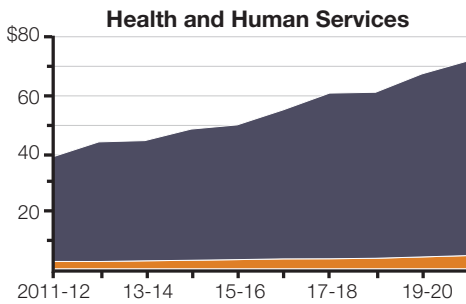
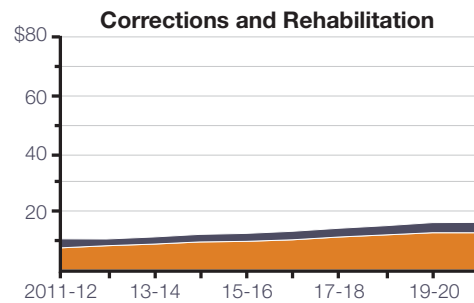
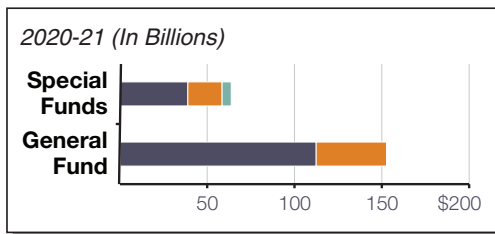
Overview of State Expenditures

(Continued)

Most State Costs Are for Local Assistance

(In Billions)

Local Assistance State Operations Capital Outlay



Note: Values for 2019-20 are revised estimates. Values for 2020-21 are enacted.

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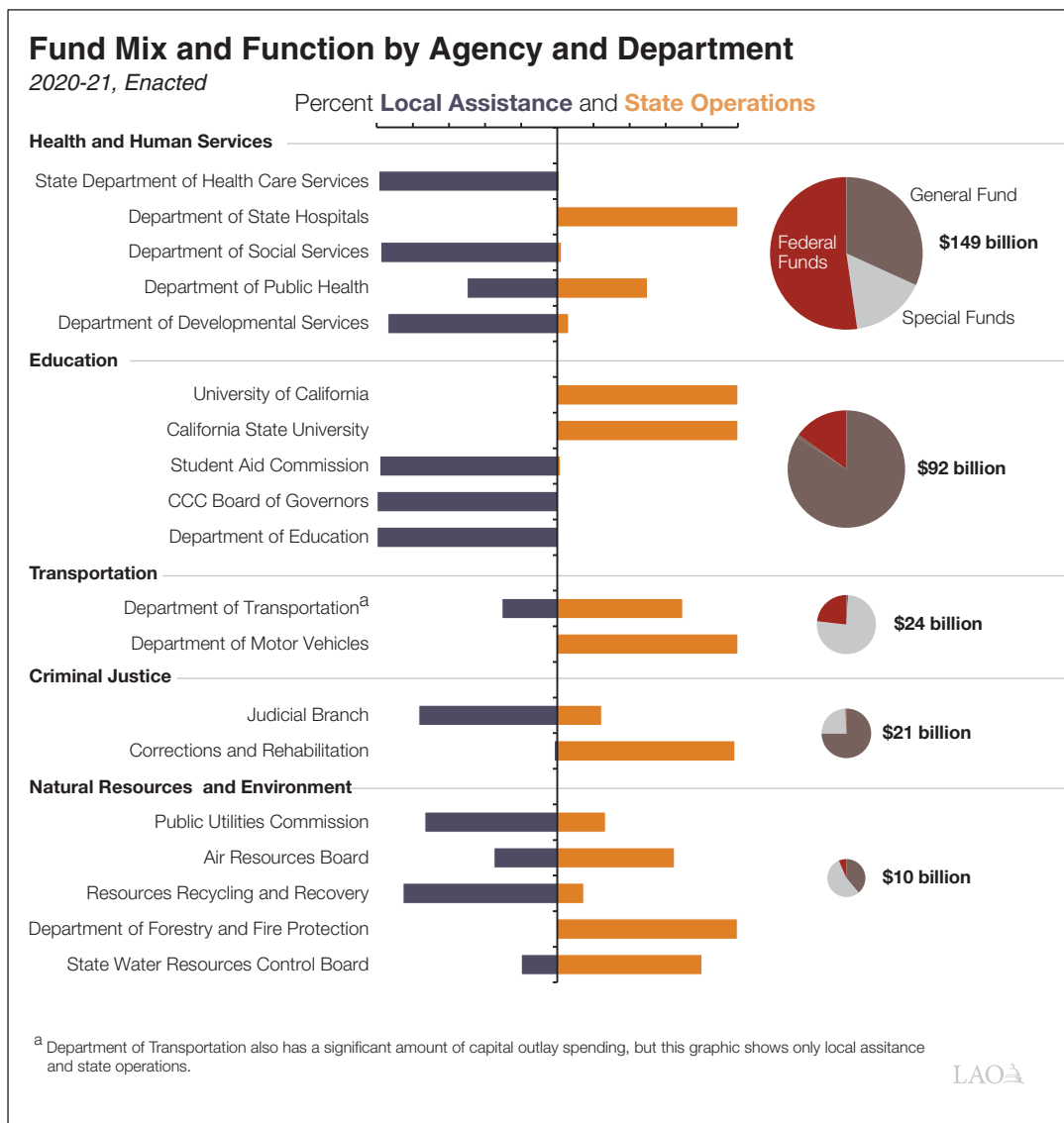


Overview of State Expenditures

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Mix of Funds and Functions Differs by Department

Different state agencies and departments have different mixes of fund sources (General Fund, special funds, and federal funds) and different functions (state operations versus local assistance).



State Operations

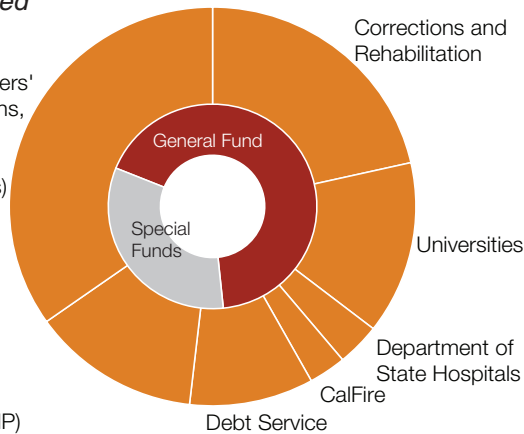
Components of State Operations (by State Agency)

2020-21, Enacted

Other (for example, tax agencies, teachers' pension contributions, consumer affairs, and environmental protection agencies)

Transportation Departments (DMV, Caltrans, CHP)

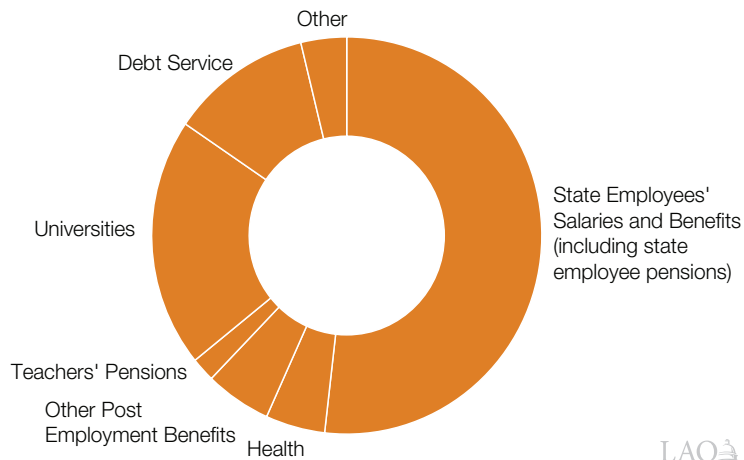
CalFire = California Department of Forestry and Fire Protection; DMV = Department of Motor Vehicles; Caltrans = California Department of Transportation; and CHP = California Highway Patrol.



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Components of State Operations Costs (by Type)

General Fund, 2020-21 Enacted



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Types of Overhead Costs

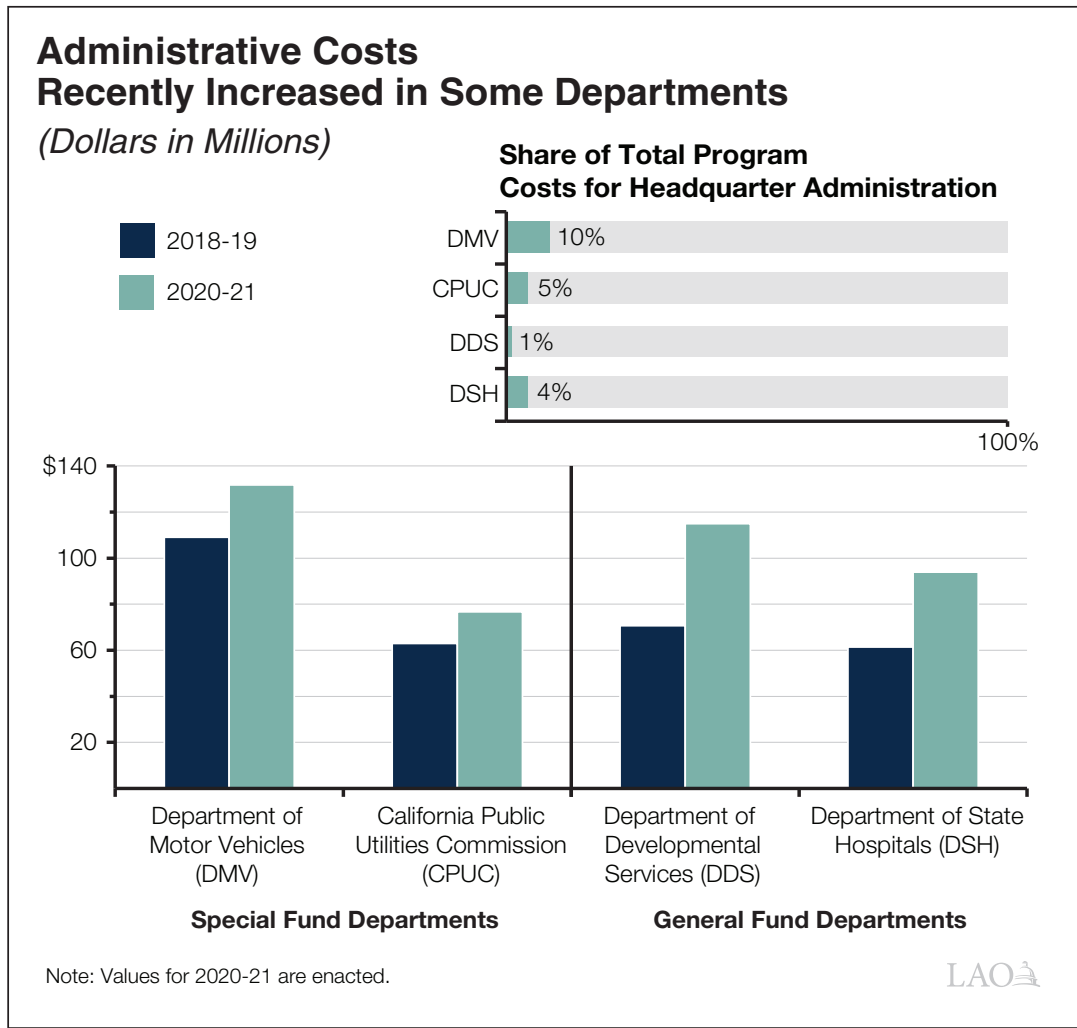
- **Headquarter or Program Administration Costs.** Most departments have headquarters in Sacramento or elsewhere in the state that provide administrative oversight, policy direction, and program evaluation. Headquarter and program administration costs can also include costs associated with program or service delivery, for example, for construction costs on state property.
- **Statewide General Administrative Costs.** Each department also pays for services provided by centralized entities (for example, the State Controller's Office, the State Treasurer, Department of Human Resources, the State Auditor, and the Department of Finance). These costs include: personnel and payroll services, audits, statewide budgeting, statewide information technology, collective bargaining, and legal services.



Types of Overhead Costs

(Continued)

Examples of Increases in Headquarter Administrative Costs



Types of Overhead Costs

(Continued)

Examples of Increases in Headquarter Administrative Costs (Continued)

- **Department of Motor Vehicles.** Increase mainly the result of implementing REAL ID. This included workload for: providing logistics for field offices, supporting a communications campaign about REAL ID, and technology improvement projects like website redesign and chatbot implementation.
- **California Public Utilities Commission.** Increases are associated with a variety of activities, such as: expenses to relocate offices, lease cost increases, and providing more information technology (IT) support.
- **Department of State Hospitals.** Increase mainly related to: costs to repair and replace roofs at three state hospitals, planning a replacement electronic health records IT system, and relocating the department headquarters.
- **Department of Developmental Services.** Increase mainly related to: restructuring and reorganizing the DDS headquarters, including creating a Southern California office; relocating the primary DDS headquarters to a new Clifford L. Allenby Building; and planning and implementation of a replacement IT system to facilitate federal Medicaid reimbursements.

